

Date: December 3, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: System Vision Program Agreements between the North Carolina Housing Finance Agency, the City of Durham and Advanced Energy Corporation

Executive Summary

The City of Durham has submitted a Member's Application for the Community Partners Loan Pool (CPLP) Program to the North Carolina Housing Finance Agency (NCHFA). NCHFA has approved the City to be eligible to receive HOME funding from NCHFA through its participation in the Program. This approval will provide additional mortgage financing to eligible homebuyers in the Southside neighborhood and will enable the City to participate in the System Vision Program.

Recommendation

The Department of Community Development recommends that City Council authorize the City Manager to:

execute a Service Agreement between North Carolina Advanced Energy Corporation, the North Carolina Housing Finance Agency and the City of Durham that will govern the participants roles and specify the program guidelines developed by NCHFA, the responsibilities of the CPLP Member (City) to improve the availability of homes to low and moderate income households, which are energy efficient, by engaging the professional services of the Advanced Energy Corporation;

execute a HOME Written Community Partners Loan Pool Agreement between the North Carolina Housing Finance Agency and the City of Durham, that will provide payment from NCHFA to the City of the subsidy, administration fee and any fees for additional Green Building Program certifications for each eligible house constructed;

execute a System Vision Two-Party Services Agreement between North Carolina Advanced Energy Corporation and the City of Durham that will allow for the City to pay Advanced Energy for plan review, site visits during construction and certification that guarantees monthly heating and cooling energy usage and home comfort; and

authorize the expenditure of up to \$30,000.00 in HOME funds for the inspections and certifications provided by Advanced Energy Corporation.

Background

NCHFA encourages the construction of energy efficient affordable housing through their System Vision Energy Guarantee Program. The Agency will provide a subsidy of \$4,000.00 to the City to be used for homeownership initiatives in Southside and an additional \$1,200.00 administration fee, for each home developed through the New Homes Loan Pool following System Vision guidelines and sold to income eligible homebuyers. The guidelines, developed by Advanced Energy, include specific energy efficiency standards such as smart mechanical ventilation systems that control indoor air quality and humidity levels. The City may receive an additional \$1,000.00 from NCHFA for each home built that meets System Vision standards and is certified by the Healthy Built Homes program, or similar home certification program. The City will in turn pay Advanced Energy Corporation \$1,050.00 per home for reviewing the plans, providing periodic construction inspections and issuing a certification of meeting program requirements upon completion of construction.

Issues/Analysis

Each home that obtains the System Vision certification receives two guarantees that Advanced Energy monitors for two years. The first one is a monthly heating and cooling energy use guarantee based on the actual house plan. The average cost to heat and cool a typical System Vision home is approximately \$33.00 per month. If a home exceeds its guaranteed energy usage, Advanced Energy pays the difference to the homeowner. The second guarantees the center of each room will not differ from the thermostat setting by more than 3 degrees. If comfort issues arise, Advanced Energy will work to diagnose the problem and to keep the homeowners comfortable.

Alternatives

The City Council could elect not to authorize the City Manager to enter into these contracts or to authorize the expenditure of HOME funds. If that authorization was denied, the City would not receive the anticipated subsidy, administration fee and any additional fees that will afford the energy efficiency guarantees to Southside homebuyers.

Financial Impact

A revenue account will be established for the receipt of HOME funds from NCHFA, of up to \$6,200.00 for each home meeting the System Vision specifications and sold to an income eligible homebuyer. An expense account will also be established for payment to Advanced Energy. HOME funds are budgeted and available for this account. The grant project ordinance (GPO) will be revised later in the year to reflect these changes.

SDBE Summary

N/A